

MINUTES OF THE MEETING
OF THE BOARD OF DIRECTORS OF
THE DEPARTMENT OF WATERWORKS

DATE: July 17, 2008

CALLED TO ORDER: 5:31 p.m.

MEETING ADJOURNED: 6:01 p.m.

ATTENDANCE

PRESENT MEMBERS

Dan DeMars, Chairperson
Carmen Hansen-Rivera
Barbara Howard
Mike Hudson
Marvin Scott

AGENDA

1. Approval of the Minutes of the Meeting of May 22, 2008 – Dan DeMars, Chairperson
2. Operations Report – Robert Erney, Financial Manager
3. Financial Report – Ryan Pastorius, Chief Financial Officer
4. Report of Veolia Water Indianapolis LLC – David Gadis, President and Operations Manager
5. Resolution No. 17, 2008 – Approval of Consulting Agreements for the Department of Waterworks – Ryan Pastorius, Chief Financial Officer
6. Resolution No. 18, 2008 – Approval of Capital Projects – Rob Erney, Financial Manager
7. Other Business
 - a. Other Board Business
 - b. Public Comment

MINUTES OF THE MEETING
OF THE BOARD OF DIRECTORS OF
THE DEPARTMENT OF WATERWORKS

The meeting of the Board of Directors (the "Board") of the Department of Waterworks (the "Department") met on Thursday, July 17, 2008. Board Chairperson, Dan DeMars, called the meeting to order at 5:31 p.m. with the following members present: Carmen Hansen-Rivera, Barbara Howard, Mike Hudson, and Marvin Scott.

Approval of the Minutes of the Meeting of May 22, 2008
Dan DeMars, Chairperson

Ms. Hansen-Rivera moved, seconded by Ms. Howard, to approve the minutes of the meeting of May 22, 2008 attached hereto as Exhibit A. The motion carried by a vote of 4 to 0.

Operations Report
Robert Erney, Financial Manager

The Board was given a copy of Mr. Erney's report attached hereto as Exhibit B and incorporated herein by reference (the "Operations Report"). Mr. Erney read the Operations Report to the Board.

Financial Report
Ryan Pastorius, Chief Financial Officer

The Board was given a copy of Mr. Pastorius' report attached hereto as Exhibit C and incorporated herein by reference (the "Financial Report"). Mr. Pastorius read the Financial Report to the Board.

Ms. Hansen-Rivera asked if the Department is working with the Department of Administration to increase the numbers for MBE/WBE. Mr. Pastorius replied in the affirmative and added that earlier in 2008 the Department did a competitive bidding process for all of the contracts that were put out. There were several WBE responses along with several MBE responses.

Ms. Hansen-Rivera asked if the Department is getting assistance from the Department of Administration to help outreach to constituents that they have on file to inform them of the opportunities that are available. Mr. Erney replied that earlier this year, as part of the Department of Equal Opportunity reorganization, a group meeting of all city and county departments' purchasing agents was organized to explore synergies in finding and using new MBE or WBE vendors. It is in the early stages but it is something that is being pursued.

Ms. Hansen-Rivera pointed out that small businesses and women owned businesses understand that there are opportunities that are within their reach.

Mr. Scott referred to Page 4 of Exhibit C and asked if he could include in his presentations in the future comparative data for the taps. Mr. Pastorius replied in the affirmative.

**Report of Veolia Water Indianapolis LLC
David Gadis, President and Operations Manager**

The Board was given a copy of Mr. Gadis' report attached hereto as Exhibit D and incorporated herein by reference (the "Veolia Report"). Mr. Gadis read the Veolia Report to the Board.

**Resolution No. 17, 2008 – Approval of Consulting Agreements for the Department of
Waterworks
Ryan Pastorius, Chief Financial Officer**

Mr. Pastorius stated that this resolution is for two consultant agreements. The first is for an engineering firm, Christopher Burke, to help the Department inspect some levees at Morse Reservoir. The other consultant agreement is for Mike Borchers to assist the Department with some of the issues he was working on as Director of the Department.

Mr. Scott asked how much the contracts are. Mr. Pastorius replied that each contract is for \$10,000. Mr. Scott moved, seconded by Ms. Howard, to approve Resolution No. 17, 2008. The motion carried by a vote of 4 to 0.

**Resolution No. 18, 2008 – Approval of Capital Projects
Rob Erney, Financial Manager**

Mr. Erney explained that Resolution No. 18, 2008 requests the Board's approval of four change orders and one additional project that will be funded from the bond issue that the Board approved last fall. A list of the projects is attached as Exhibit E.

Mr. Scott asked what the total amount of the adjustments is. Mr. Erney replied that the change orders total just over \$357,000. The new project is for \$1,023,000.

Mr. Scott asked if the Department had the contingency amounts built into the budget and Mr. Erney replied in the affirmative.

Ms. Hansen-Rivera moved, seconded by Mr. Scott, to approve Resolution No. 18, 2008. The motion carried by a vote of 4 to 0.

Other Business

None.

Other Board Business

Ms. Toppen pointed out that the Board had asked Veolia and the Department to prepare a response to an article that appeared in the IBJ and the Department and Veolia have prepared such a response and if the Board is interested we could present it here tonight to put in the record or if the Board would prefer they could submit it to the IBJ. Mr. Hudson suggested that the Board should hear this response. Ms. Hansen-Rivera concurred.

Lou Ann Baker, vice-president of Communications and Community Affairs for Veolia Water, read the following statement to the Board:

“Last week’s story in the IBJ co-mingled a number of responsibilities regarding water resources in Central Indiana. We agree that citizens deserve safe water and welcome this opportunity to present accurate information about Indianapolis’ wastewater and drinking water treatment process.

Indianapolis Water provides safe and affordable drinking water to more than 1 million people in Central Indiana. The Indianapolis Department of Public Works (DPW) treats the wastewater created by Indianapolis residents and businesses.

The articles’ three main points were: 1) the city needs a drug-return program 2) expanding testing and reporting requirements beyond federal regulations 3) improved water disinfection with ozone treatment.

A drug-return program with the City has been explored. Earth Day Indiana had a drop off collection site this year for the first time, led by Marion County Health Department, in an attempt to discourage flushing of unused medications. DPW currently provides disposal guidelines on its website.

The article also suggests expanding reporting requirement for the drinking water side, beyond those that are required by the federal government. The items on the existing list are there because they contain substances that have been proven to have an impact on living organisms, be they animal, plant or human. Naturally, those items are our main concern. Indianapolis Water has a proven track record of successfully eliminating these contaminants.

The third point, the article confuses Indianapolis Water with DPW. After privatization of the wastewater treatment plant in the 1990’s, the wastewater treatment plant changed its processes, not the drinking water treatment plant.

The City of Indianapolis’ DPW has worked extremely hard and invested hundreds of millions of dollars in reducing raw sewage discharges and effectively treating wastewater discharges. The wastewater plants are scheduled to move to ozone disinfection in 2009.

Indianapolis Water is already preparing for the enhanced treatment regulations that go into effect in 2012. Work has already commenced to convert the White River treatment plant, which is the largest treatment plant we operate, to an ultra-violet light disinfection (UV) process. Work also is scheduled to begin in 2009 at the TW Moses treatment plant on West 56th Street to install a similar process.

Indianapolis has chosen to invest in proven technologies to protect the water resources of our community. We remain vigilant in pursuing quality water while at the same time evaluating alternatives to provide for the best cost-benefit scenario to achieve enhanced regulations. No matter what regulations are forthcoming or what treatment technologies may be available in the future, the City of Indianapolis remains committed to providing the citizens of this community with safe and reliable water at a reasonable cost.”

Mr. Hudson stated that from time to time, the Board has reviewed the cost of an ozone treatment system in the past and it was weighed against some of the other priorities that we have. He asked if the ozone treatment system is still being considered. Ms. Baker replied that they have opted to go forward with the UV treatment process, which does allow it to in the future add ozone should this be chosen or should the again regulations be enhanced.

Mr. Hudson asked if the Department is spending a great amount of the capital funds in support of the new regulations. Ms. Baker replied that this is correct and added that there are a number of new regulations that will go into effect in 2012. Improvements to the facilities need to start now so that we do not try to do all four of the surface water plants at the last minute.

Public Comment

Glenn Pratt, citizen, distributed to the Board copies of comments he prepared for the IJB and they are attached as Exhibit F. He said that he and others have asked the Department of Public Works to go back to using ozone. He believes that in moving from chlorine to UV is certainly progress. He also believes that we need to invest in the future because things like estrogen and other types of chemicals are not in any way reduced.

Ms. Hansen-Rivera moved to adjourn the meeting. Mr. Scott seconded. The motion carried by a vote of 4 to 0.

CONCLUSION

With no further business pending, the Board of Directors of The Department of Waterworks meeting adjourned at 6:01 p.m.

Approved August 21, 2008.



Dan DeMars, Chairman

Attest:

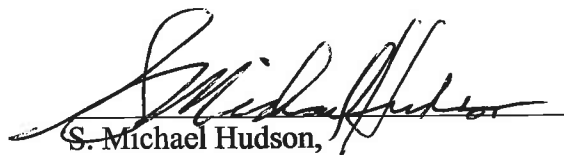

S. Michael Hudson,
Secretary-Treasurer

Exhibit A

MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS OF THE DEPARTMENT OF WATERWORKS

The meeting of the Board of Directors (the "Board") of the Department of Waterworks (the "Department") met on Thursday, May 22, 2008. Board Chairperson, Dan DeMars, called the meeting to order at 5:37 p.m. with the following members present: Carmen Hansen-Rivera, Barbara Howard, Mike Hudson, and Sam Odle.

Approval of the Minutes of the Meeting of April 17, 2008
Dan DeMars, Chairperson

Mr. Odle moved, seconded by Ms. Hansen-Rivera, to approve the minutes of the meeting of April 17, 2008 attached hereto as Exhibit A. The motion carried by a vote of 4 to 0.

Resolution No. 11, 2008 – Approval of Bond Appropriation Resolution
Ryan Pastorius, Chief Financial Officer

Mr. Pastorius explained that this resolution is the final approval for the BOW of the 2004 bond refunding. The resolution states that the bonds that the Department issued to refund the 2004A's will not exceed \$60 million or an interest rate not to exceed 6%. The Bond Bank took action on this issue and approved these bonds subject to the results of the 2007 Department of Waterworks 2007 audited financial statements. The audit is currently on track and hope to conclude this by June 30, 2008. This resolution will approve all of the actual appropriation and the actual selling of the bonds. The other two resolutions have slightly different approvals attached to them.

Mr. Odle asked if the interest rate could change between now and the issuance of the bonds. Mr. Pastorius replied that the Department has been looking at fixed bond rates for the past several months and there has not been much fluctuation.

Ms. Lauren Toppen opened the meeting up for a public hearing. There was no testimony.

Mr. Odle moved, seconded by Ms. Hansen-Rivera, to approve Resolution No. 11, 2008. The motion carried by a vote of 4 to 0.

Resolution No. 12, 2008 – Approval of Bond Issuance Documents
Ryan Pastorius, Chief Financial Officer

Mr. Pastorius pointed out that this is the second of the three resolutions involving bonds. This resolution is giving approval of all the various documents.

Mr. Odle moved, seconded by Ms. Howard, to approve Resolution No. 12, 2008. The motion carried by a vote of 4 to 0.

Resolution No. 13, 2008 – Approval of Final Bond Resolution
Ryan Pastorius, Chief Financial Officer

Mr. Pastorius stated that this is the final resolution, which finalizes everything.

Mr. Odle moved, seconded by Ms. Hansen-Rivera, to approve Resolution No. 13, 2008. The motion carried by a vote of 4 to 0.

Resolution No. 14, 2008 – Approval of Strategic Planning Initiative
Mike Borchers, Director of Contracts and Operations

Mr. Borchers explained the resolution is the approval of the strategic planning initiative undertaken by the Department going back to 2007 in the September/October timeframe. Attached to the resolution is a copy of the strategic plan. He asked for the Board's approval of the resolution.

Ms. Howard moved, seconded by Ms. Hansen-Rivera.

Mr. Odle asked if there will need to be annual updating on the strategic plan. Mr. Hudson replied in the affirmative and indicated that the deadlines in the plan should be flexible given the impending departure of the Director. Mr. Borchers asked if this would need to be added to the resolution. Ms. Toppen replied in the affirmative.

Ms. Howard moved, seconded by Ms. Hansen-Rivera to amend the resolution to reflect Mr. Hudson's comments. The motion carried by a vote of 4 to 0.

Resolution No. 15, 2008 – Approval of Consulting Agreements for the Department of Waterworks
Ryan Pastorius, Chief Financial Officer

Mr. Pastorius stated that this resolution is the approval of two consulting agreements. This is the last of the consulting agreements for the time being. One is for Shrewsberry & Associates and the other is for Heid Rate and Regulatory Services.

Ms. Howard moved, seconded by Mr. Odle, to approve Resolution No. 15, 2008. The motion carried by a vote of 4 to 0.

Resolution No. 16, 2008 – Approval of Capital Projects
Ryan Pastorius, Chief Financial Officer

Mr. Pastorius asked Mr. Robert Erney to address this resolution.

Mr. Erney explained that Resolution No. 16, 2008 requests the Board's approval of three change orders as well as two additional projects. Two change orders for cash amount to a total of \$13,000 additional cash expenditures projected. The bonds projects total just over \$12.7 million. The two projects the largest there is the White River Upgrade to UV Disinfection. He asked for the Board's approval of the resolution.

Mr. Odle asked if the White River Upgrade will be the only plant with the UV. Mr. Borchers replied in the negative and added that the Department has four surface treatment plants. The White River treatment plant is the first to be done.

Mr. Odle asked if all the plants will get the UV. Mr. Borchers replied that more than likely every plant will get the UV; however, some plants may get other additional treatment technologies that may be needed to ensure compliance by 2012.

Mr. Odle asked if all four needed UV, why White River was chosen. Mr. Borchers replied that the plants are dependent on water from multiple sources. It was prudent to do White River first.

Mr. Odle moved, seconded by Ms. Howard, to approve Resolution No. 16, 2008. The motion carried by a vote of 4 to 0.

Report of Director of Contracts and Operations
Mike Borchers, Director of Contracts and Operations

The Board was given a copy of Mr. Borchers' report attached hereto as Exhibit B and incorporated herein by reference (the "Director's Report"). Mr. Borchers read the Director's Report to the Board.

Mr. Hudson asked if the Department has made adequate announcements to the residents that will be changing over to Carmel Water. Mr. Borchers replied in the affirmative and added that bill inserts have been put into the bills.

Mr. Odle asked if the quorum problem with the Service Advisory Board has been resolved. Mr. Borchers replied that he believes the problem has been resolved.

Financial Report
Ryan Pastorius, Chief Financial Officer

The Board was given a copy of Mr. Pastorius' report attached hereto as Exhibit C and incorporated herein by reference (the "Financial Report"). Mr. Pastorius read the Financial Report to the Board.

Report of Veolia Water Indianapolis LLC
David Gadis, President and Operations Manager

The Board was given a copy of Mr. Gadis' report attached hereto as Exhibit D and incorporated herein by reference (the "Veolia Report"). Mr. Gadis read the Veolia Report to the Board.

Mr. Odle asked if Veolia is working with the Geist residents regarding their algae problem. Mr. Gadis replied in the affirmative.

At the conclusion of his report, Mr. Gadis read the following statement into the record:

As most of you know, we have been working with the Indiana Utility Regulatory Commission regarding Veolia's meter reading and bill estimation. We anticipate this cooperative dialogue to continue as we investigate additional ways to improve service to DOW customers.

We have continued to respond to customer inquiries and questions. Our phone lines have seen approximately a 13% increase this spring over the same period last year. The vast majority of customers do not understand that the DOW rules contemplate bi-monthly estimates of customers' usage or that the estimating logic used is approved by the State of Indiana. Customers' one on one encounters with our customer service agents usually result in joint understanding of issues and questions. Consistent with DOW rules and historic practices, customers will continue to receive invoices based on estimated usage and therefore they will likely continue to see at least bi-monthly adjustments on their monthly bills. Certain customers will receive a credit against existing bills or if

requested a check will be refunded to them. Estimating customer usage by its very nature can never be perfect; the balancing of efficiency and particularly on one hand with perfection on the other through the use of credits and/or refunds has been a long standing approved process for operation of Indianapolis Water. Veolia strives to continuously improve our systems and will continue to work with the Indiana Utility Regulatory Commission to improve our services and to update the existing estimation logic.

There has been some public discussion regarding the meter reading incentive in the Management Agreement. The incentive was created to measure the accuracy of readings and is validated through monthly reports submitted to the Department of Waterworks, in conjunction with an annual audit. Veolia and the DOW are considering whether an additional contract measurement or meter reading incentive should be implemented.

Veolia Water remains committed to providing high quality drinking water and service for the Consolidated City of Indianapolis and the Department of Waterworks.

Mr. DeMars responded to Mr. Gadis' statement as follows:

The Department made its concerns known to Veolia about the meter reading issues and met with the IURC and Veolia prior to the filing of the lawsuits to discuss them. The Department is very hopeful that the plans put in place by Veolia to address the issues will largely resolve both the customer complaints and improve the meter reading program on a going forward basis. Meter reading is obviously a fundamental component of the operation of the system and the Department is confident in Veolia's abilities. The Department's obligation as the owner of the utility is to assist in what ever way it can and to monitor Veolia's performance so that the customers receive quality water utility service and are billed as allowed under applicable rules and regulations.

Other Business

None.

Other Board Business

None.

Public Comment

Ms. Toppen pointed out the public comment will be limited to three minutes.

Glenn Pratt, citizen, distributed to the Board a letter from the Sierra Club attached hereto as Exhibit E and incorporated herein by reference (the "Sierra Club Letter"). Mr. Pratt read the Sierra Club Letter to the Board.

Ms. Hansen-Rivera moved, seconded by Ms. Howard to adjourn the meeting.

CONCLUSION

With no further business pending, the Board of Directors of The Department of Waterworks meeting adjourned at 6:16 p.m.

Approved July 17, 2008.


Dan DeMars, Chairman

Attest:

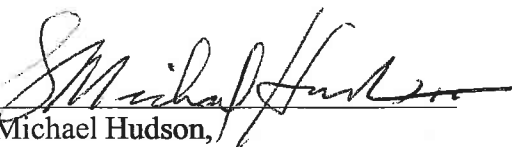

S. Michael Hudson,
Secretary-Treasurer

Exhibit B

Operations Report July 2008

IURC: The Department submitted its first report regarding the evaluation of an AMR system to the IURC on July 1st as scheduled. Further updates are scheduled for each quarter going forward.

Whitestown: No new discussions have occurred regarding this matter.

Indiana 811: Preliminary assessment by the Board is that a raise in fees is not likely in 2009. The federal government is pushing renewed emphasis for “effective enforcement” concerning pipeline damage. Several states have enacted a penalty system for damages incurred where a “call before you dig” request was not made. The IURC appears to be pushing for such legislation in Indiana. (Submitted by Carlton E. Curry)

Water Shortage Task Force: The WSTF adopted the Standard Precipitation Index (PRI) as the best, short term evaluation measurement tool to measure drought. The long standing Palmer Index, while widely used by climatologists, is a lagging indicator that take much too long to be useful in responding to drought conditions. The PRI can be used in as little as a month to detect the onset of drought conditions. This index is being combined with a drought monitor map tool used by the Indiana Department of Natural Resources (DNR). The WSTF determined that four levels of reporting drought conditions would best match the visual color map tool that is published in the web on a weekly basis. It is expected that the draft water shortage ordinance promulgated by the WSTF in 2007 may use this data representation directly for decision making by the appropriate municipal water supply governing body. (Submitted by Carlton E. Curry)

5 Year Capital Plan: Malcolm Pirnie which has been engaged by the Department for Capital Evaluation toured the 4 surface water treatment plants on June 24 and 25th. A debriefing was held on the 25th with Malcolm Pirnie, Veolia, and the Department of Waterworks to give initial observation results and provide feedback. A formal response from Malcolm Pirnie was forwarded to Veolia and is being reviewed by all parties. We also received the first set of comments and questions from MP on the 5 year plan which were also forwarded to Veolia for their simultaneous review.

Morgan County: An initial meeting was held between DOW personnel and FEMA regarding the recovery of costs related to the repair of the mains damaged as a result of flooding. A follow up meeting is scheduled for Friday July 18th.

Waverly: Discussion continues on the evaluation of the Value Engineering proposal submitted by CDM to the Department of Waterworks. The initial acquisition of land needed for the project is expected to close by the end of July.

Service Advisory Board: The Service Advisory Board met this past Tuesday evening without a quorum present. Operations reports from both the Department and Veolia were presented to the members. A presentation highlighting the major initiatives of the Strategic plan was also presented to the members present by a representative from DLZ.

Technical Advisory Group: A presentation on Climate Change and Water Resource and their effect on IW Source Waters was presented by Bob Barr from IUPUI. A tour of the WRN plant was conducted following the presentation.

Exhibit C

Department of Waterworks Financial Report

July 17, 2008

Presented By: Ryan Pastorius

NOTE: This report is for management purposes only.

Cash Flow Summary

This flowchart illustrates the flow of money through the waterworks in a given month. The chart starts with operating expenses. The leftover funding then goes to servicing debt, and finally the money leftover from debt servicing goes towards capital projects. The detail for the flowchart is found on the following page.

The first step in calculating the available balance is to calculate the Operating Revenue.

The Operating Revenue to date: **\$61,397,322**



The next step is to calculate Operating Expenses.

The Operating Expense to date: **\$29,491,492**



To arrive at the amount available for Debt Service, subtract the Operating Expenses from the Operating Revenue.

Operating Revenue: **\$61,397,322**

Operating Expenses: **\$29,491,492**

Total Remaining for Debt Service: \$31,905,829.



To arrive at the amount available for Capital, take the amount calculated above as available for Debt Service: **\$31,905,829**

Then subtract Debt Service Expenses to date: **\$17,889,324**

Amount available for Capital: \$14,016,505.



To arrive at the final balance, take the amount remaining for Capital: **\$14,016,505**

Then add in the Capital Revenue: **\$1,811,238**

Then subtract the Capital Expenses to date: **\$6,968,198**

Balance: \$8,859,545.

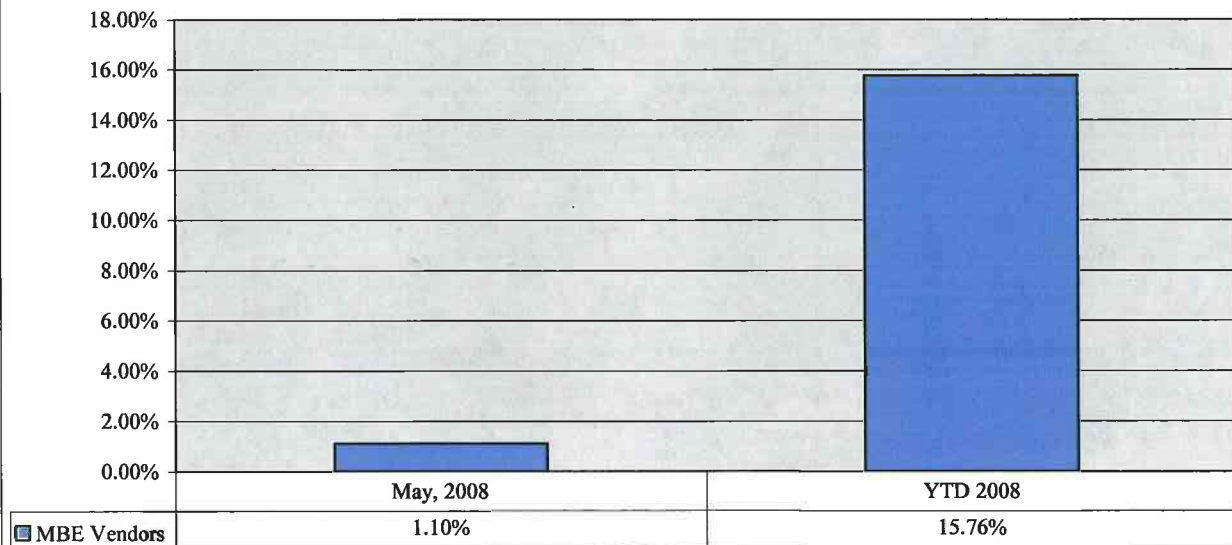
NOTE: There is a capital authorization remaining for the current year of \$5,808,127 and another \$1,478,730 of SDC revenue, which is restricted to growth capital projects. This leaves **\$1,572,688** of unrestricted money at the end of the month.

Statement of Cash Flows

Indianapolis Water

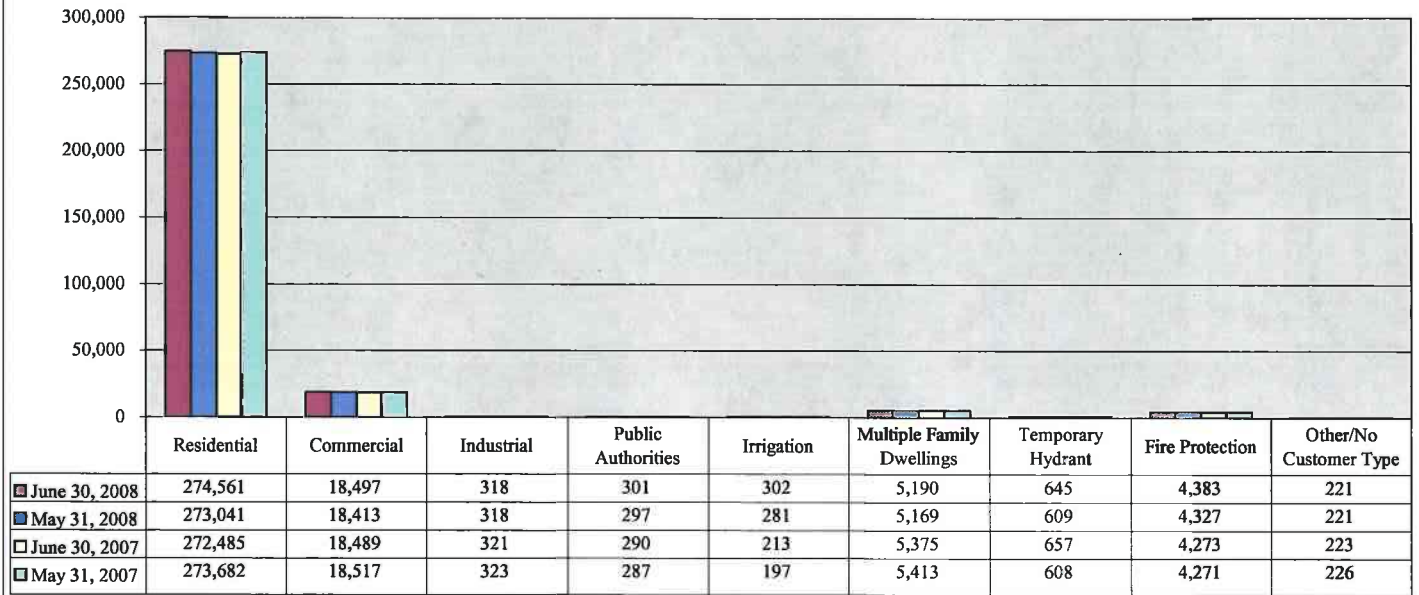
	June 2008	2008 YTD	2008 Budget	% of Budget Spent/Collected
Operating Revenue				
Receipts from Sale of Water	8,940,979	59,114,340	124,610,333	47.44%
Interest Income	181,663	522,357	3,750,000	13.93%
Other Utility Receipts	0	46,286	250,000	18.51%
System Development Charges	262,366	1,478,730	3,250,000	45.50%
Other Operating Receipts	11,813	235,609	2,250,000	10.47%
Total Operating Revenue	9,396,822	61,397,322	134,110,333	45.78%
Operating Expenses				
Veolia Water Fixed Fee and Service Level Payments	3,376,190	21,776,426	51,541,258	42.25%
Veolia Reimbursement Agreement	0	0	1,667,000	0.00%
PILOT	0	158	11,000,000	0.00%
Pension Trust Payments	291,667	1,749,998	3,500,000	50.00%
Financial Services	21,725	21,725	200,000	10.86%
Attorney	0	48,674	1,000,000	4.87%
Consulting Services	280,076	356,009	1,425,000	24.98%
Miscellaneous Expenses	3,037	11,317	34,350	32.95%
Purchased Water and Water Rights	30,000	385,372	900,000	42.82%
Personal Services	44,364	239,362	645,842	37.06%
Supplies	52	167	1,600	10.46%
Property and Equipment	293,930	588,057	1,000,250	58.79%
Damage Claims	0	9,552	650,000	1.47%
IDEM Fees	60	283,345	300,000	94.45%
IUPPS	0	0	500,000	0.00%
Prior Year Encumbrances Paid in 2008	17,442	712,164	N/A	N/A
Sales and Utility Receipts Taxes	954,332	3,309,167	1,793,545	184.50%
Total Operating Expenses	5,312,876	29,491,492	76,158,845	N/A
Net Available for Debt Service	4,083,946	31,905,829	57,951,488	55.06%
Debt Service Revenue				
Operating Balance	4,083,946	31,905,829	57,951,488	N/A
Total Debt Service Revenue	4,083,946	31,905,829	57,951,488	N/A
Debt Service Expenses				
Bond Interest and Principal	3,378,508	16,516,398	42,209,000	39.13%
Note Principal		0	217,222	0.00%
Bank and Trustee Service Fees	17,871	1,372,926	1,287,075	106.67%
Total Debt Service Expenses	3,396,379	17,889,324	43,713,297	40.92%
Net Available for Capital	687,567	14,016,505	14,238,191	N/A
Capital Revenue				
Bond Proceeds Reimbursement		1,811,238	N/A	N/A
Prior Year System Development Charge Receipts	N/A	N/A	3,007,130	N/A
Operating and Debt Service Balance	687,567	14,016,505	14,238,191	N/A
Total Capital Revenue	687,567	15,827,743	17,245,321	N/A
Capital Expenses				
2008 Capital Projects	1,023,695	2,990,952	16,470,692	18.16%
Prior Year Capital Encumbrances Paid in 2008	308,662	3,626,464	N/A	N/A
Main Extension Refunds and Deposits	311,705	350,782	N/A	N/A
Total Capital Expenses	1,644,062	6,968,198	16,470,692	N/A
BALANCE	(956,495)	8,859,545	774,629	N/A

Department of Waterworks MBE/WBE Utilization Rates



<u>MBE/WBE Disbursements</u>	<u>May, 2008</u>	<u>YTD 2008</u>
Total Disbursements (Non-Committed)	\$ 283,113	\$ 416,000
<u>MBE Vendors</u>		
Shrewsberry & Associates	\$ -	\$ 37,098
DLZ Indiana	\$ 3,127	\$ 28,473
Total MBE	\$ 3,127	\$ 65,571
 MBE %	 1.10%	 15.76%

Active Service Connections



Net Increase or Decrease from May to June

0.58%

June Tapping Report Totals

June 30, 2008

YTD

Residential	167	972
Commercial	12	82
Irrigation	2	10
Total New Taps in June 2008	181	1,064

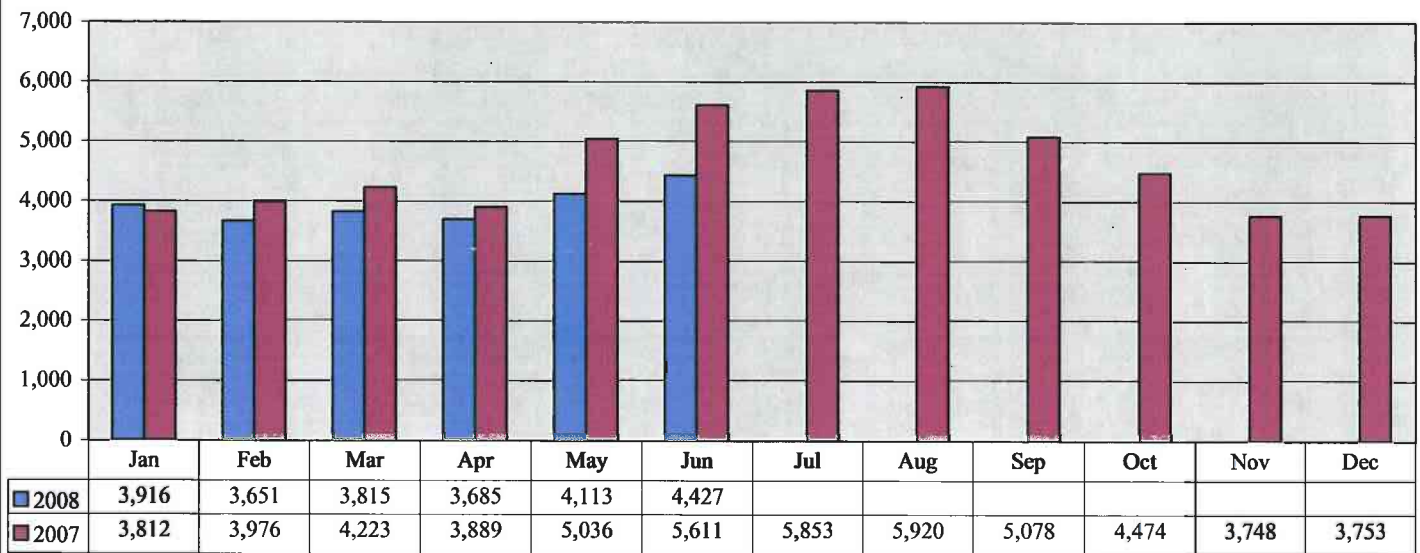
June 2008 SDC Billings

\$415,200

Year to Date SDC Billings

\$1,420,200

Monthly Water Production (in Millions of Gallons)

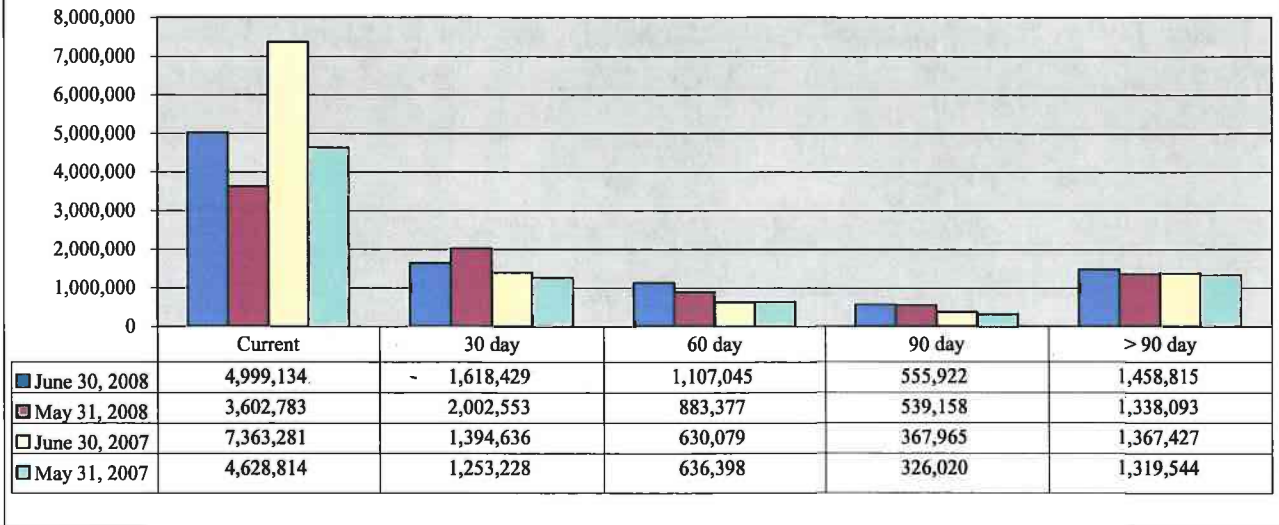


Total Production YTD

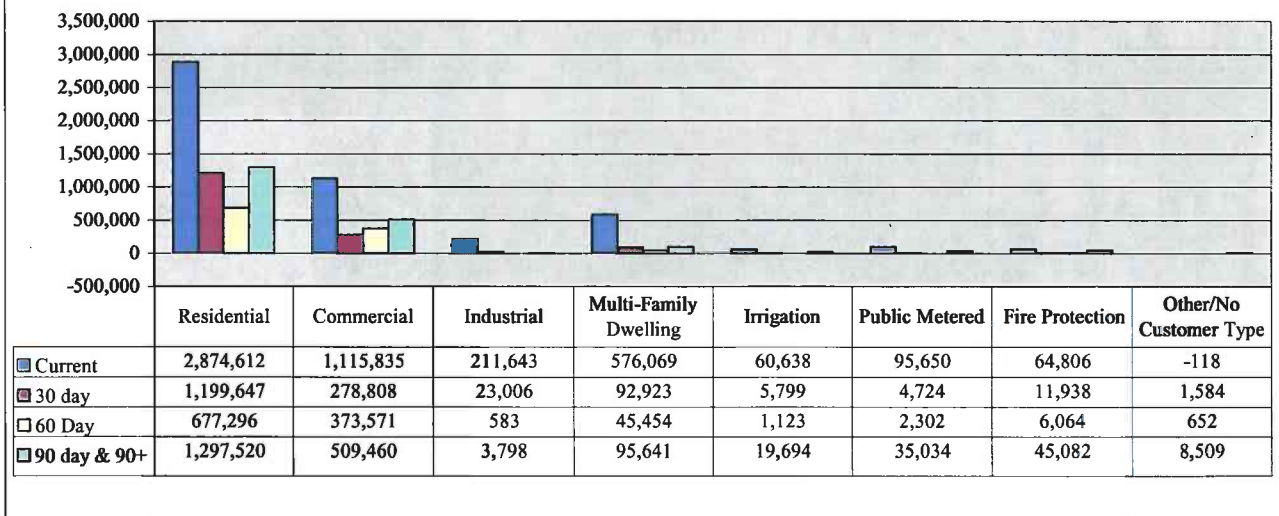
2008	23,607
2007	26,544

Percent Increase or Decrease	-11.06%
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Aging Accounts Receivable

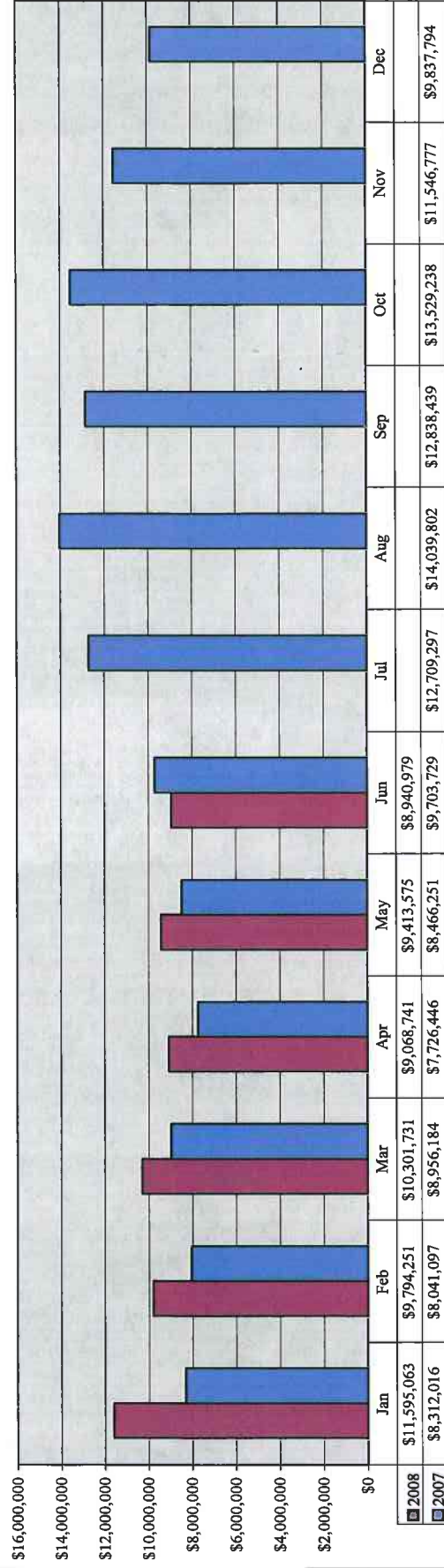


Comparison Accounts Receivable

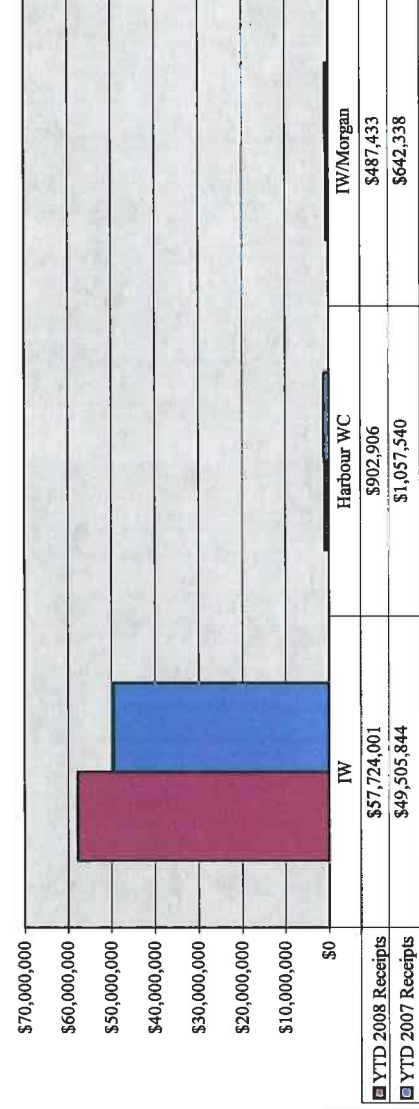


<u>Billed Pumpage By Class</u>	<u>June 2008 Million Gallons</u>	<u>YTD Million Gallons</u>	<u>Billed June 2008 Revenue</u>	<u>Billed YTD 2008 Revenue</u>
Residential	1,330.20	6,531.64	\$5,511,225	\$30,427,907
Commercial	1,109.03	5,884.64	\$2,449,670	\$13,580,971
Industrial	266.61	1,645.52	\$392,277	\$2,431,609
Multi-Family Dwelling	356.31	1,982.89	\$794,482	\$4,571,051
Irrigation	8.66	11.98	\$28,792	\$57,256
Public Metered	59.96	313.94	\$117,566	\$619,081
Fire Protection	0.83	4.76	\$149,120	\$873,704
Other/No Customer Type	1.56	9.24	\$6,610	\$39,064
Temporary Hydrant	12.26	52.80	\$55,020	\$263,365
Totals	3,145.42	16,437.41	\$9,504,762	\$52,864,008

Monthly Water Service Receipts

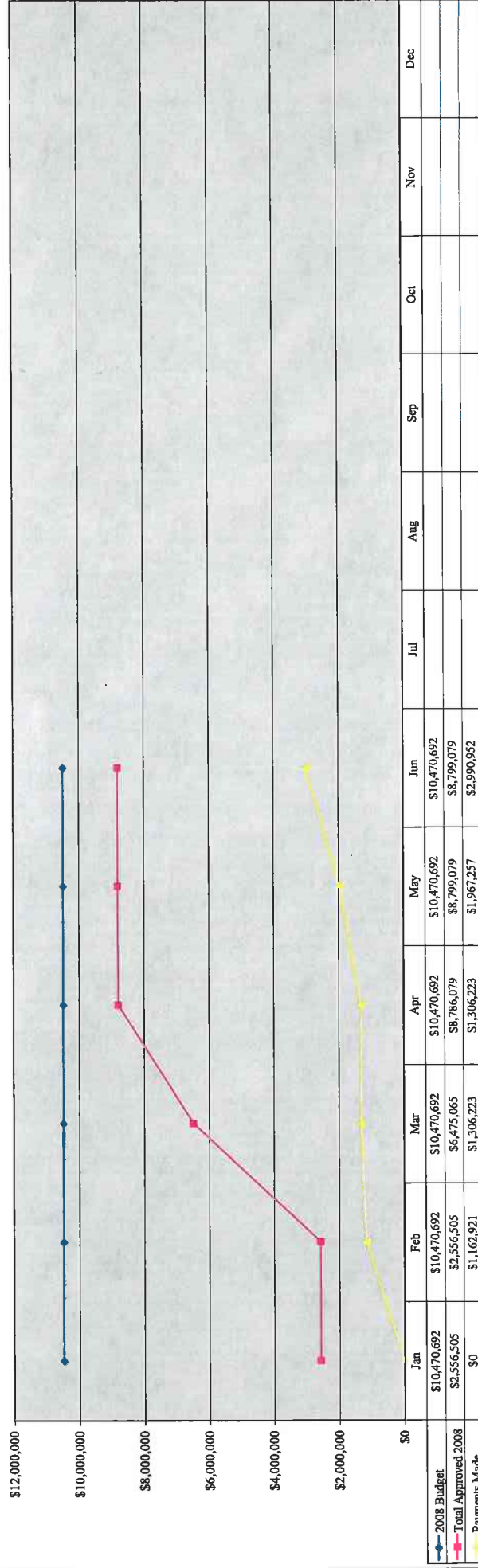


YTD Receipts by Source



Cash Capital Activity

Proposed Cash Capital: \$239,057



Supplemental Information

Bond Interest Payments

This month several bond interest payments are due. For informational purposes, the chart below shows the activity associated with the payments for each of the applicable bonds.

<u>Bond Issuance</u>	<u>Payment Due Date</u>	<u>Payment Amount</u>
2005 G *	6/30/2008	\$795,000
2005 G	6/30/2008	\$2,165,750
2005 H	6/30/2008	\$190,452
2004 A	6/16/2008	\$227,306
Other		\$17,871
Total		\$3,396,379

* Principal payment.

June Operating Report

City of Indianapolis Department of Waterworks

Submitted By: David Gadis, President and Operations Manager
Veolia Water Indianapolis, LLC – July 17, 2008



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June Operating Report

Veolia Water Indianapolis, LLC

Monthly operating report submitted by Veolia Water Indianapolis, LLC to the City of Indianapolis Department of Waterworks. Report is also available online at www.indygov.org/dww.

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Executive Summary

Morse and Geist Reservoirs remained above pool level during the month. Weather patterns have delivered above average temperatures and above average precipitation throughout the month of June.

Average daily pumpage rate for the month of June was 147.6 MGD. Total system pumpage for June was 4,427 MG. 2008 pumpage total is 23,617 MG, compared to 26,544 MG for 2007. 2008 Production is 7.3% below the 2007 rates.

The total goods and services spend for the month of June was \$2,696,940.93. The MBE spend was \$517,082.51 and WBE spend was \$160,853.72 for a total of 25% MBE/WBE spend. For the month of June, 94% was purchased locally.

There were 104 leaks during the month of June, impacting approximately 1,100 customers. In June 2007, we had 180 leaks.

We received 65,741 calls in the call center during June. Our answer rate improved dramatically over the previous month at 86.4%. The abandoned rate was 1.4%. Our annual goal for 2008 is 88% for the answer rate and 4% for the abandonment rate.

We continued to work on our water conservation message and started airing conservation ads on TV, Radio, and electronic media. We distributed an educational flyer to 130,000 homes via Sunday *Indianapolis Star* insert.

We continued working in the community, and participated in numerous meetings with state education and environmental departments, city-county councilors and watershed association meetings to convey Veolia messaging.

Operations

Reservoirs

Morse and Geist Reservoirs remained above pool level during the month. Weather patterns have delivered above average temperatures and above average precipitation throughout the month of June.

Canal

Weed growth in the canal is visible. The current weed harvesting boat was placed in the canal and tested. The new weed boat arrived in June and was tested for functionality.

Facilities

Repairs to well motors, pumps, and screens are ongoing at White River, Fall Creek, Riverside, and South Well Field. The annual well performance evaluation has begun. This study is to be performed by Ortman Drilling.

Additional testing of the effectiveness of the Solar Bees' ability to keep carbon in suspension in the White River canal was performed in June. The position of the units will be adjusted to obtain optimal mixing in order to sustain maximum removal efficiency.

The Harbour Water system was successfully transitioned to the IW system on June 3rd.

Pumpage

Average daily Pumpage rate for the month of June was 147.6 MGD.

Total system Pumpage for June was 4,427 MG.

2008 Pumpage total is 23,617 MG, compared to 26,544 MG for 2007.

2008 Production is 7.3% below the 2007 rates.

Veolia Water Indianapolis, LLC.

Operations Summary	2008 <u>Actual</u>	2008 <u>Budget</u>	Budget <u>Variance</u>	2007 <u>Actual</u>	YR to YR <u>Variance</u>
Production					
June (MG)	4,427	5,174	-14.40%	5,611	-21.10%
Year to Date (MG)	23,617	25,478	-7.30%	26,544	-11.00%
Purchased Water					
June (MG)	17			73	-76.50%
Year to Date (MG)	270			325	-16.90%
Chemical Usage					
June (\$)	687,223	360,551	90.60%	648,106	6.00%
June (\$/MG)	155.22	69.69	122.70%	115.51	34.40%
Year to Date (\$)	2,394,019	2,064,582	16.00%	1,946,526	23.00%
Year to Date (\$/MG)	101.37	81.04	25.10%	73.33	38.20%
Power					
June (\$)	443,536	458,450	-3.30%	474,591	-6.50%
June (\$/MG)	100.18	88.61	13.10%	84.59	18.40%
Year to Date (\$)	2,581,542	2,625,700	-1.70%	2,601,392	-0.80%
Year to Date (\$/MG)	109.31	103.06	6.10%	98	11.50%
Precipitation - Airport	<u>Actual</u>	<u>Normal</u>			
June (in)	8	3.49			
Year to Date (in)	29.05	19.87			

Departmental Data with month, year and previous year comparisons

	8-Jun	Year to date 2008	7-Jun	Year to date 2007
	27-948	253-15,021	48-2,386	436- 27,723
Main Repairs (est. of customers affected)	(customers)	(customers)	(customers)	(customers)
	77- 193	445-1,115	132-330	496-1,243
Service Repairs (est. of customers affected)	(customers)	(customers)	(customers)	(customers)
Valves tested	20	8,183	0	10,544
Valves operated	214	1,382	242	1,582
Hydrants tested	9,045	21,077	8,054	18,392
Hydrant Repairs – not out of service	66	500	143	734
Hydrant Repairs - called out of service	65	281	89	398
Hydrant Drips Pumped	0	29	0	182
Dirt Cuts Completed	125	744	113	625
Asphalt Cuts Completed	99	272	44	357
Concrete Cuts Completed	45	210	17	213
Locates	3,739	17,853	11,970	57,256
Leak Investigations	122	768	120	995
Water Outages	81	547	57	783
Ons/Offs	4,393	22,725	4,380	22,842
General Inquiries	3,599	21,257	3,186	18,159
Emergency Calls	30	574	57	783
Taps	179	1,053	305	1,779
DigSmart-Received**	9,159	29,384	n/a	n/a
DigSmart-Screened**	8,739	28,035	n/a	n/a
DigSmart-All Clear**	5,424	18,132	n/a	n/a
DigSmart-Stakeouts**	3,315	9,903	n/a	n/a

Capital Projects/Asset Management

No construction projects were approved by the Department of Waterworks ("DOW") Board at its June meeting because a quorum was not present and, as such, the Board members present were unable to take action on our proposed projects. This is the second month this year that projects have not been approved by the Board due to too few members present to make a quorum. The postponement of project approvals by the DOW has effectively delayed the execution of a significant number of construction projects that are included in the 2008 Construction Program. It is anticipated that these projects will be started later in the year than projected and some will continue into 2009.

Procurement**Incentive Criteria**

The total goods and services spend for the month of June was \$2,696,940.93. The MBE spend was \$517,082.51 and WBE spend was \$160,853.72 for a total of 25% MBE/WBE spend. For the month of June, 94% was purchased locally.

Distribution One

The total invoiced for the month of June was \$372,347 with YTD cost savings of \$298,455

Procurement Cost Savings

The total savings corresponding to the competitive bidding and awards process for the month of June was \$1,914.46 with YTD cost savings of \$35,575.60, which reflects the aggregate savings for all bids awarded that exceeded \$1,000 plus cost savings.

WAREHOUSE

Items Added to Inventory

YTD; 73

Total active items inventoried 2,736

Processed PeopleSoft Items Requisitions for Purchases

YTD; 1,523

Processed PeopleSoft Requisitions For Issues, Transfers, And Returns For Projects And Maintenance Work

YTD; 15,459

Processed PeopleSoft Receipts

YTD; 2,185

Processed Synergen Orders for Production

YTD; 588

Deliveries and Runs for Maintenance and Construction (for unplanned work)

YTD; 70

Fleet

There was preventive maintenance completed on 52 units, 87 vehicle condition reports and three (3) work orders were outsourced in June.

The following authorized SCPA's are shown below:

SCPAs Approved in June:

SCPA Number	Project Name
2008-043-09	Riverside Well # 8 Refurbishment
2008-091-C-08-010	Maple Grove Road in Morgan County
2008-092-D-08-042	Cyntheanne Park (Town of Fishers)
2008-092-D-08-052	Marion County Fairgrounds
2008-092-L-08-043	7130 Griffith Road
2008-268-01	General Office Gate Security

Projects Started in June:

CPA Number	Project Name
2008-043-07	Replacement of Fuel Card Reader Equipment
2008-043-08	Replacement of Diesel Pump & Dispenser
2008-043-09	Riverside Well # 8 Refurbishment
2008-091-C-08-010	Maple Grove Road in Morgan County
2008-091-E-08-016	16 th Street-Indiana Ave to Alonzo Watford
2008-091-F-08-003	Pendleton Pike & I-465
2008-092-D-08-052	Marion County Fairgrounds
2008-092-L-08-043	7130 Griffith Road
2008-268-01	General Office Gate Security
2008-718	Madison Station Engine Replacement
2008-721	White River-Upgrade to UV Disinfection
2008-722	WRN-Install Filter Waste Valves

Projects Closed During June (Invoiced at 100% Complete)

Facilities:

None

Network:

0813002-131st & I-69 Easement
A06057-US 136 and Raceway Road; relocating water lines
A08002-California & Glendale
C08003-Primrose-54th to 56th
D08016-Fishers Shoppes
F07002-Pendleton Pike

Media Relations

Press Releases

June 2 – Harbour Water Transition

June 7 – 10 – IW Morgan outages due to flooding, lab test updates and all clear

Print Media

June 1 – Indy Partnership magazine – corporate headquarters

June 2 – Noblesville Daily Times – Harbour Water transition

June 3 – Noblesville Daily Times – Harbour Water transition

June 4 – Noblesville Ledger – Harbour Water transition

June 9 – Indianapolis Business Journal – Harbour Water transition

June 10 – Indianapolis Star - Drinking water report ad

June 28 – Speedway Navigator – Water bills and rates

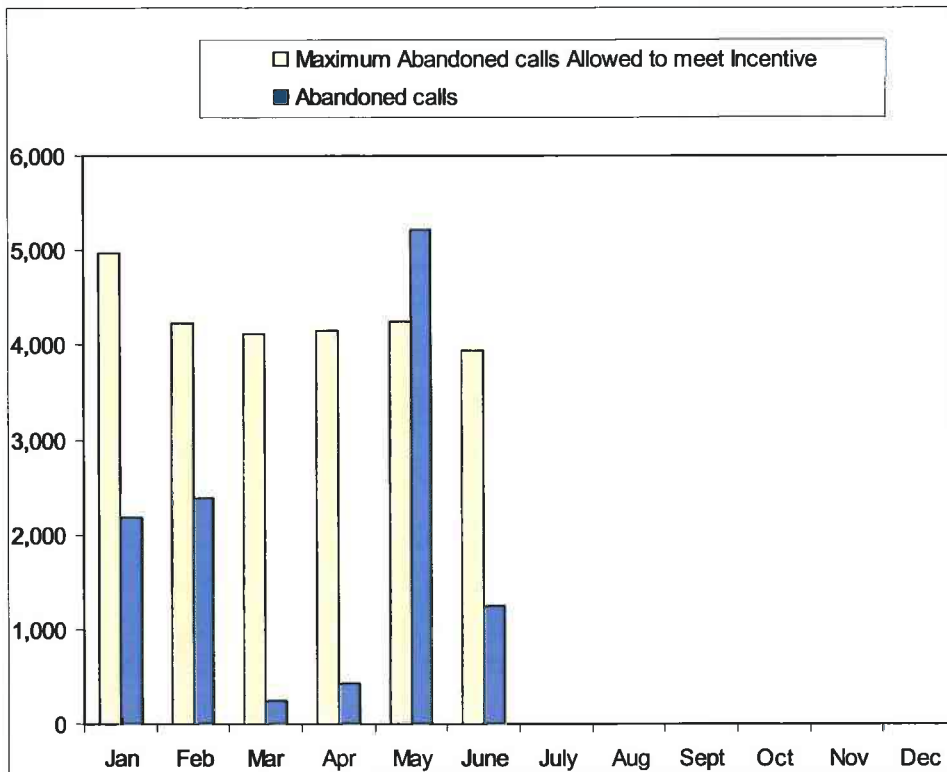
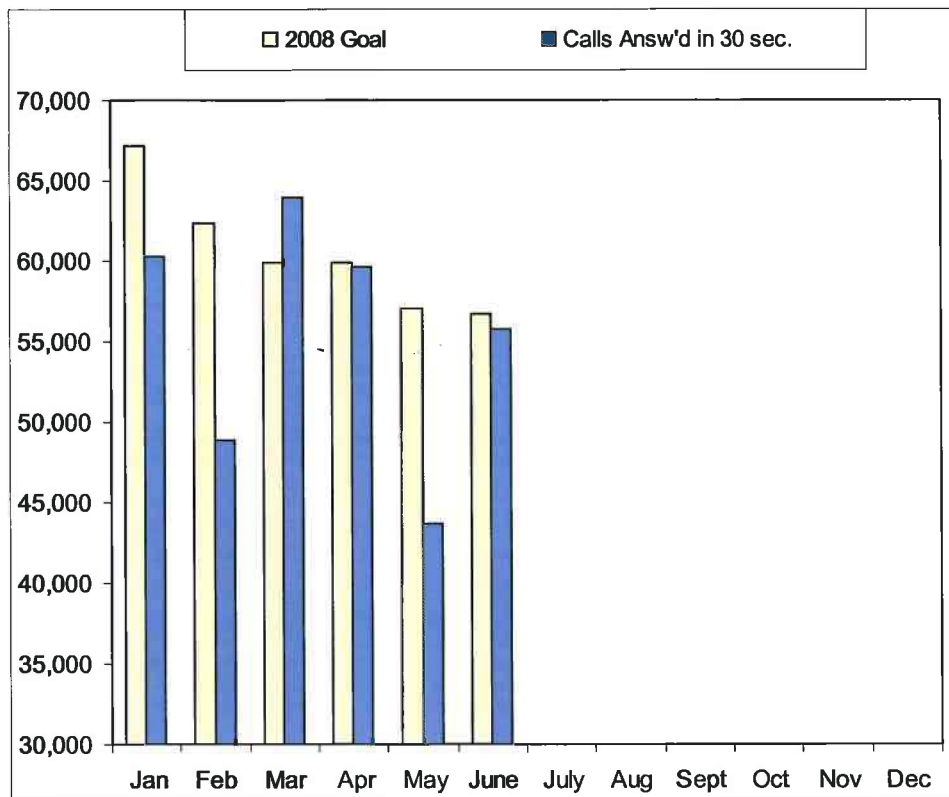
Met with John Ketzenberger of Indianapolis Star to discuss the utility and long – range water resources planning.

Broadcast Media

June 25, 26 – Channel 6 – Jack Rinehart story on water conservation ordinance

Community Relations & Education/Outreach Activities

- Attended Eagle Creek Watershed Alliance Quarterly meeting
- Attended the Geist Watershed Alliance monthly meeting
- Participated in the Upper White River Watershed Alliance general membership meeting
- Coordinated/Conducted TAG/SAB meetings
- Attended City-County Councillor Janice McHenry's Town Hall Meeting
- Attended Indianapolis Urban League luncheon
- Attended City-County Council meetings
- Attended Mayor's Lunch for Parks
- Participated in water shortage task force meeting
- Sponsored and participated in 2008 Youthlinks event
- Attended various Indiana Fever corporate and community events
- Attended Board of Waterworks meeting
- Met with Jenny Burch of Indianapolis Childrens Museum
- Sponsored Indy Jazzfest – and tent
- Facilitated DPW public meeting in conference dining room



We received 65,741 calls in the call center in June. The answer rate for the month was 86.4% and the abandoned rate was 1.4%. Our annual goal for 2008 is 88% for the answer rate and 4% for the abandonment rate.

Response to Public Comment

None required.

Project Number	2008 Project Change Order	Exhibit E			
		Current Amount	Change Order	Amended Amount	Funding Source
2008-092	Underground Growth-D, L, and Easements	1,000,000.00	200,000.00	1,200,000.00	Cash
2008-138	WRN Refurbish Intake Screen #2	106,220.00	22,932.00	129,152.00	Cash
2008-287	WR, FC, SWF Well Rehab/Repair	154,476.00	16,125.00	170,601.00	Cash
2008-723	Keystone Dam Refurbishment	374,693.00	118,177.00	492,870.00	Bond
Total Change Orders Pending Approval			357,234.00		

2008 Capital Project Authorizations

Project Number	Project Name	Amount	Funding Source
2008-714	WR-Install Backwash Control Tables	1,023,503.00	Bond
Total Projects Pending Approval		1,380,737.00	
Total 2008 Cash Budget Impact		239,057.00	
Total 2008 Bond Budget Impact		1,141,680.00	
Total Cash & Bond Projects Net Pending Approval		1,380,737.00	

Commentary: Indianapolis deserves safer water

Indianapolis Business Journal

By Brian Williams, July 12, 2008

A recent Associated Press study of 62 major water providers across the country, including Indianapolis, found that nearly all their water had pharmaceutical product or indicators of pharmaceutical product in their water supply.

Pharmaceutical products included antibiotics, anti-convulsants, mood stabilizers and sex hormones. The same AP study investigated watersheds and aquifers, large numbers of which were found to contain pharmaceuticals and other contaminants. Another national study of 139 streams in 30 states found pharmaceutical product in over 80 percent of the samples taken.

How do pharmaceuticals get into our water? Drugs from households, nursing homes and hospitals reach waterways from excretion, flushing drugs down the toilet, and trash disposal, resulting in landfill leaks.

Many people don't know how to dispose of drugs and just throw them in the trash. With an estimated 3 percent of U.S. prescriptions going unused, a lot of pharmaceuticals are being disposed of in a way that threatens human and environmental health.

While the EPA is developing methods to detect and quantify pharmaceutical products in wastewater, federal standards do not set limits. Current water and wastewater treatment processes cannot remove drugs from water, and some drugs are made more toxic when the water is treated with chlorine. The Indianapolis Water Co. uses chlorine to purify water.

The city of Indianapolis should work in concert with the pharmaceutical industry, law and drug enforcement, Indianapolis Water Co., environmental organizations, medical, health care, recycling and poison-center representatives to develop safeguards for our water supply.

First, the city should develop a pharmaceutical-product return program. Maine, Iowa and British Columbia already have drug-return programs that range from prepaid mailin envelopes to drop boxes at pharmacies or law-enforcement agencies. The British Columbia program has been in operation since 1996. In 2005, the program collected 39,710 pounds of unwanted drugs. A return program would need to be fair, effective and economical, as well as cover controlled and non-controlled

drugs, and include a long-term funding base. Such a program could be modeled after the recycling programs for used batteries and electronic equipment.

Second, Indianapolis should expand the testing and reporting requirements of Indianapolis Water Co. Federal law requires water providers to reveal levels of regulated contaminants, but not those that are unregulated. Currently, Indianapolis Water Co. posts on its Web site a two-page report of testing results for about 40 potential contaminants. The city of Milwaukee's Water Works posts 12 pages worth of test results for 450 contaminants, including pharmaceutical products.

Third, Indianapolis should require that water be treated with an ozone and cryogenic oxygen process. As part of the privatization of Indianapolis Water Co. under former Mayor Stephen Goldsmith, Indianapolis Water was permitted to change its treatment and filtration process from ozone and cryogenic oxygen to chlorination. This change resulted in a meaningful reduction in expenses, but lower water quality.

In 1994, the Indiana Department of Environmental Management agreed and found that the Indianapolis chlorine-treatment process contributed to the death of over half a million fish. While chlorination may meet basic federal water quality standards, it does not meet the quality level to which our water supply should be measured. Surely we can all agree that a safe and secure water supply is in the best interest of the city and its residents.

- Williams is regional venture partner of Hopewell Ventures, a Midwest-focused private-equity firm. His column appears monthly. He can be reached at bwilliams@ibj.com.

IBJ Letter to the Editor

I appreciate and fully agree with your Brian Williams, July 12, 2008 "Opinions" article on pharmaceuticals in our water. The City of Indianapolis and other municipalities in our watershed do need pharmaceutical collection programs. A number of people have been strongly encouraging both the present and the previous City of Indianapolis administrations to implement a meaningful full time pharmaceutical collection program.

However, the article seems to confuse measures to reduce the pharmaceuticals from going through sewage and into our surface waters with the measures we should take to reduce the pharmaceuticals in the water treated for drinking water. Both are important. Also, the sewage plant is operated by United Water, not The Indianapolis Water Company (Indianapolis Department of Waterworks) and Veolia which operate the water treatment plants.

We should not put pharmaceuticals down the toilet so they do not get into the streams. Also, our sewage treatment plants should use ozone instead of chlorine in order to reduce the concentration of these chemicals as well as eliminate persistent chlorine byproducts. This would cost more but ozone would significantly reduce those personal chemicals that are disposed of into the sewers as well as the pharmaceuticals that pass through the human body.

Good news! The City of Indianapolis is presently changing its chlorine treatment to ozone treatment at the wastewater treatment facilities to improve the quality of the wastewater it discharges to the White River to reduce the impact on aquatic life and to downstream water users. They are to be congratulated! Unlike chlorination and ultra violet light, ozone reduces about 90% of estrogen and similar type chemicals.

Similarly, all drinking water treatment plants that use surface water should use ozone as the primary disinfectant instead of chlorine or ultraviolet. That would reduce the trace concentrations of many of the pharmaceuticals in the finished water piped to the tap. Also, it would eliminate the formation of problem chloramines in the water supply. Unfortunately, the Indianapolis Water Board, following the recommendations of Veolia, who operates the Indianapolis drinking water system, has recently declined to propose ozone treatment for our drinking water. The use of ozone had been recommended to them previously by Board staff. We need to encourage the Board to reconsider the need to move ahead to ozone, not just the meeting the present minimum Federal requirements.

Again, THANK YOU for your write up!!! I hope it will encourage the Water Board and Veolia to move to ozone to assure a higher level of safety for our citizens and encourage Indianapolis and other watershed cities to institute full time pharmaceutical collection programs. I would encourage other IBJ readers to contact the Water Board and the City of Indianapolis to implement such efforts.

Glenn Pratt
Pratt Environmental Consulting
Indianapolis, In 46260
Pratt8460@gmail.com